

CITY OF ALTON, IOWA  
Alton, Iowa

INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended  
June 30, 2016

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**CITY OF ALTON, IOWA**

**OFFICIALS**

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| <b>Name</b>         | <b>Title</b>       | <b>Term Expires</b> |
|---------------------|--------------------|---------------------|
| Brian Schutt        | Mayor              | December, 2017      |
| Blake Bengard       | Mayor Pro-Tem      | December, 2017      |
| Harlan Jorgensen    | Council Member     | December, 2017      |
| Leon Kleinhesselink | Council Member     | December, 2019      |
| Dan Vande Griend    | Council Member     | December, 2017      |
| Steve Zenor         | Council Member     | December, 2019      |
| Dale Oltmans        | City Administrator | No Term Limit       |
| Laurie Stoos        | Deputy Clerk       | No Term Limit       |
| Brad DeJong         | Attorney           | December, 2016      |

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the City Council  
Alton, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alton, Iowa as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alton, Iowa, as of June 30, 2016, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting

principles generally accepted in the United States of America. Our opinions are not modified with respect to that matter.

## **Other Matters**

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Alton, Iowa's basic financial statements. The supplementary information on pages 31 through 32 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability, and the Schedule of the City contributions on pages 4 through 8 and 26 through 30, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated January 5, 2017 on our consideration of the City of Alton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Alton's internal control over financial reporting and compliance.

*Williams + Company, P.C.*

Certified Public Accountants

Le Mars, Iowa

January 5, 2017

**CITY OF ALTON, IOWA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

The City of Alton provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

**2016 FINANCIAL HIGHLIGHTS**

- Receipts of the General Fund increased \$33,307.
- Disbursements of the General Fund increased \$26,173.
- The City's total General Fund cash basis net position increased \$42,935 for fiscal year 2016. This is due to overall actual revenue being close to budgeted revenue and overall actual expenses being less than budgeted expenses.

**USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statements consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions..

Supplementary Information provides detailed information about the City's nonmajor governmental funds.

**BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position on a cash basis. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax, state and federal grants, and charges for services finance most of these activities.
- Business-type activities include the electric, water, sewer and gas. These activities are financed primarily by user charges.

## **Fund Financial Statements**

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Tax Increment Financing, 3) the Debt Service Fund, and 4) the Capital Projects Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements, and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The city maintains four Enterprise Funds to provide separate information for the Water Fund, Electric Fund, Sewer Fund and Gas Fund.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements, and changes in cash balances.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, to \$1,103,255 from \$1,138,691. The analysis that follows focuses on the changes in cash balances for governmental activities and business-type activities.

### Changes in Cash Basis Net Position of Governmental Activities

|  | Year Ended June 30, |             |
|--|---------------------|-------------|
|  | 2016                | 2015        |
| Receipts:  |                     |             |
| Program Receipts:                                  |                     |             |
| Charges for Service .....                          | \$150,971           | \$145,107   |
| Operating Grants & Contributions .....             | 218,644             | 186,725     |
| General Receipts                                   |                     |             |
| Property Tax .....                                 | 537,757             | 523,530     |
| Tax Increment Financing Collections .....          | 483,778             | 502,515     |
| Local Option Sales Tax .....                       | 149,965             | 148,330     |
| Interest .....                                     | 4,994               | 2,497       |
| Commercial/Industrial Tax Replacement .....        | 55,187              | 27,769      |
| Other General Receipts .....                       | 58,899              | 43,139      |
| Sale of Assets .....                               | 18,798              | 21,366      |
| Proceeds from Financing .....                      | -                   | 400,000     |
| Total Receipts                                     | 1,678,993           | 2,000,948   |
| Disbursements:                                     |                     |             |
| Public Safety .....                                | 201,332             | 176,106     |
| Public Works .....                                 | 237,446             | 239,556     |
| Health and Social Services .....                   | 160                 | 229         |
| Culture and Recreation .....                       | 164,414             | 157,115     |
| Community and Economic Development .....           | 125,551             | 116,516     |
| General Government .....                           | 90,985              | 90,632      |
| Debt Service .....                                 | 341,389             | 300,859     |
| Capital Projects .....                             | 698,101             | 376,278     |
| Total Disbursements                                | 1,859,378           | 1,457,291   |
| Change in Cash Basis Net Position Before Transfers | (180,385)           | 543,657     |
| Net Transfers .....                                | 144,949             | (204,191)   |
| Cash Basis Net Position – Beginning of Year .....  | 1,138,691           | 799,225     |
| Cash Basis Net Position – End of Year .....        | \$1,103,255         | \$1,138,691 |

### Changes in Cash Basis Net Position of Business Type Activities

|   | 2016        | 2015        |
|---|-------------|-------------|
| Receipts:   |             |             |
| Operating Receipts:                                       |             |             |
| Water .....   | \$246,010   | \$240,180   |
| Electric .....  | 1,245,914   | 975,710     |
| Sewer .....   | 173,237     | 135,483     |
| Gas .....   | 435,027     | 521,080     |
| Interest .....  | 7,410       | 6,164       |
| Total Receipts  | 2,107,598   | 1,878,617   |
| Disbursements:  |             |             |
| Water .....   | 313,230     | 312,144     |
| Electric .....  | 971,562     | 1,048,895   |
| Sewer .....   | 219,434     | 316,998     |
| Gas .....   | 484,433     | 588,519     |
| Total disbursements                                       | 1,988,659   | 2,266,586   |
| Change in Cash Basis Net Position, Before Transfers ..... | 118,939     | (387,969)   |
| Net Transfers .....                                       | (144,949)   | 204,191     |
| Cash Basis Net Position – Beginning of Year .....         | 1,755,551   | 1,939,329   |
| Cash Basis Net Position – End of Year .....               | \$1,729,541 | \$1,755,551 |



## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Alton completed the year, its governmental funds reported a combined cash balance of \$1,103,255 a decrease of \$35,436 over last year's total of \$1,138,691.

The cash balance in the General fund increased by approximately \$43,000 during fiscal year 2016 due primarily to overall actual revenue being close to budgeted revenue and overall actual expenses being less than budgeted expenses.. The Debt Service fund cash balance increased by approximately \$3,300 due to interest being higher than anticipated, street assessment proceeds being more than estimated, and commercial/ industrial property taxes being more than estimated. Capital Streets fund cash balance decreased by approximately \$379,400 due to paying for street projects and engineering. The Tax Increment Financing fund cash balance increased approximately \$174,800 due to timing of GO Bond principle and interest payments and a rebate payment outlined in a development agreement.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

As the City of Alton completed the year, its business type funds reported a combined cash balance of \$1,729,541, a decrease of approximately \$26,000 over last year's total of \$1,755,551. The decrease is due to increased loaning money from the electric fund to the capital equipment fund for a street sweeper, which will be paid back over 10 years with interest.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. This amendment was approved on June 28, 2016 and resulted in an increase in budgeted disbursements of \$55,633.

## DEBT ADMINISTRATION

A comparison of the City's debt outstanding at June 30, 2016 to June 30, 2015 follows:

|                            | Year Ended June 30, |              |
|----------------------------|---------------------|--------------|
|                            | 2016                | 2015         |
| G.O. Bonds and Notes ..... | \$ 1,285,000        | \$ 1,575,000 |
| Water Revenue Bonds .....  | 52,000              | 59,000       |
| Gas Revenue Bonds .....    | 535,000             | 573,000      |
| Total                      | \$ 1,872,000        | \$ 2,207,000 |

Additional information on the City's long-term debt can be found in Note 3.

## ECONOMIC FACTORS

The City purchased a new street sweeper at a cost of \$174,043.

The City purchased a new Pickup for the electric and gas departments at a cost of \$20,000.

The City leased a new Cat Skid Steer at a cost of \$12,627 per year for 7 years.

The City paid a lease payment on a John Deere lawnmower with snow blower and brush for \$6,969.

The City removed and replaced the street and curb with PCC concrete on one and a half blocks of 11<sup>th</sup> Street and replaced water and sanitary sewer mains. Also the sidewalks and parking lots were repaved for the Community Building/Fire Station as a part of the project. The total project cost was \$218,411.

The City removed and replaced the street and curb with PCC concrete on one block of 7<sup>th</sup> Avenue. The totals project cost was \$62,122.

The City removed and replaced a portion of the street and curb with PCC concrete at the intersection of 6<sup>th</sup> Avenue and Jefferson Avenue. The totals project cost was \$23,500.

The City overlaid the parking at the Pool/Eastside Park with asphalt. The totals project cost was \$62,483.

The City completed several large areas of street repair with asphalt. The totals project cost was \$23,625.

The City completed replacement of the existing 12" culvert with two 18" culverts and removed and replaced the asphalt approaches to the East Division Street UP Railroad crossing at a cost of approximately \$9,300.

The City completed a project to replace outdated underground electric distribution lines in the alley in Block 13. Installed transformer and electric service to Ag Partners Grain ground storage piles.

The City began replacing natural gas mains and underground electric in Heimstra addition. This will be a two year project. Installed 2" gas main along Homestead Lane.

The City completed several projects of televising and jetting sanitary sewer lines, and manhole rehabilitation

The City continued a project that included purchasing and removing dilapidated mobile homes using LMI funds.

The City provided financial incentives to a party who purchased an existing sports bar and grille.

The City provided financial incentives to the City of Orange City towards a new nursing home.

The City provided financial incentives to the City of Orange City towards a public daycare expansion.

Four new residential housing units were completed.

A new two unit condo was completed.

Three new commercial building expansions were constructed.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact Dale Oltmans, City Administrator, Alton, Iowa.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF ALTON, IOWA**  
**STATEMENT OF ACTIVITIES AND NET POSITION - CASH BASIS**  
**For the Year Ended June 30, 2016**

| Functions/Programs                 | Disbursements       | Program Receipts     |                                    |
|------------------------------------|---------------------|----------------------|------------------------------------|
|                                    |                     | Charges for Services | Operating Grants and Contributions |
| <b>Primary Government:</b>         |                     |                      |                                    |
| Governmental Activities:           |                     |                      |                                    |
| Public Safety                      | \$ 201,332          | \$ 14,268            | \$ 40,386                          |
| Public Works                       | 237,446             | 86,332               | 150,272                            |
| Health and Social Services         | 160                 | -                    | -                                  |
| Culture and Recreation             | 164,414             | 15,651               | 27,986                             |
| Community and Economic Development | 125,551             | -                    | -                                  |
| General Government                 | 90,985              | 34,720               | -                                  |
| Capital Outlay                     | 698,101             | -                    | -                                  |
| Debt Service:                      |                     |                      |                                    |
| Principal                          | 290,000             | -                    | -                                  |
| Interest and Fees                  | 51,389              | -                    | -                                  |
| Total Governmental Activities      | 1,859,378           | 150,971              | 218,644                            |
| <b>Business-Type Activities:</b>   |                     |                      |                                    |
| Electric Utility                   | 971,562             | 951,463              | -                                  |
| Sewer Utility                      | 219,434             | 173,237              | -                                  |
| Water Utility                      | 313,230             | 246,010              | -                                  |
| Gas Utility                        | 484,433             | 435,027              | -                                  |
| Total Business-Type Activities:    | 1,988,659           | 1,805,737            | -                                  |
| <b>Total Primary Government</b>    | <b>\$ 3,848,037</b> | <b>\$ 1,956,708</b>  | <b>\$ 218,644</b>                  |

General Receipts:  
 Property taxes  
 Tax Increment Financing  
 Local Option Sales Tax  
 Interest  
 Commercial/Industrial Tax Replacement  
 Sale of Assets  
 Miscellaneous  
 Interfund Transfers  
 Total general receipts and transfers  
 Change in cash basis net position  
 Net position cash basis - beginning  
 Cash basis net position, ending

Cash Basis Net Position  
 Restricted:  
 Streets  
 Economic Development  
 Debt Service  
 Local Option Sales Tax  
 Employee Benefits  
 Unrestricted  
 Total Cash Basis Net Position

See Accompanying Notes to Financial Statements

| Net (Disbursements) Receipts<br>and Changes in Net Position |                             |                     |
|---|-----------------------------|---------------------|
| Governmental<br>Activities                                  | Business-Type<br>Activities | Total               |
| \$ (146,678)  |                             | \$ (146,678)        |
| (842)   |                             | (842)               |
| (160)   |                             | (160)               |
| (120,777)   |                             | (120,777)           |
| (125,551)   |                             | (125,551)           |
| (56,265)  |                             | (56,265)            |
| (698,101)   |                             | (698,101)           |
| (290,000)   |                             | (290,000)           |
| (51,389)  |                             | (51,389)            |
| <u>(1,489,763)</u>  |                             | <u>(1,489,763)</u>  |
|   | \$ (20,099)                 | (20,099)            |
|   | (46,197)                    | (46,197)            |
|   | (67,220)                    | (67,220)            |
|   | (49,406)                    | (49,406)            |
|   | <u>(182,922)</u>            | <u>(182,922)</u>    |
| <u>(1,489,763)</u>  | <u>(182,922)</u>            | <u>(1,672,685)</u>  |
| 537,757   | -                           | 537,757             |
| 483,778   | -                           | 483,778             |
| 149,965   | -                           | 149,965             |
| 4,994   | 7,410                       | 12,404              |
| 55,187  | -                           | 55,187              |
| 18,798  | -                           | 18,798              |
| 58,899  | 294,451                     | 353,350             |
| 144,949   | (144,949)                   | -                   |
| <u>1,454,327</u>  | <u>156,912</u>              | <u>1,611,239</u>    |
| (35,436)  | (26,010)                    | (61,446)            |
| <u>1,138,691</u>  | <u>1,755,551</u>            | <u>2,894,242</u>    |
| <u>1,103,255</u>  | <u>1,729,541</u>            | <u>2,832,796</u>    |
| 77,188  | -                           | 77,188              |
| 361,560   | -                           | 361,560             |
| 59,078  | 77,574                      | 136,652             |
| 119,621   | -                           | 119,621             |
| 76,432  | -                           | 76,432              |
| 409,376   | 1,651,967                   | 2,061,343           |
| <u>\$ 1,103,255</u>   | <u>\$ 1,729,541</u>         | <u>\$ 2,832,796</u> |

See Accompanying Notes to Financial Statements

CITY OF ALTON, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
Governmental Funds  
As of and For the Year Ended June 30, 2016

|  | General    | Special Revenue           |                            |
|--|------------|---------------------------|----------------------------|
|  |            | Local Option<br>Sales Tax | Tax Increment<br>Financing |
| Receipts:  |            |                           |                            |
| Property Taxes                                   | \$ 293,460 | \$ -                      | \$ -                       |
| Tax Increment Financing                          | -          | -                         | 367,243                    |
| Licenses and Permits                             | 22,589     | -                         | -                          |
| Intergovernmental                                | 51,288     | 149,965                   | 38,776                     |
| Charges for Services                             | 108,023    | -                         | -                          |
| Fines  | 1,809      | -                         | -                          |
| Special Assessments                              | -          | -                         | -                          |
| Rental of City Property                          | 10,641     | -                         | -                          |
| Interest on Investments                          | 2,187      | -                         | 1,393                      |
| Miscellaneous                                    | 43,776     | -                         | -                          |
| Total Receipts                                   | 533,773    | 149,965                   | 407,412                    |
| Disbursements:                                   |            |                           |                            |
| Public Safety                                    | 201,332    | -                         | -                          |
| Public Works                                     | 101,475    | -                         | -                          |
| Health and Social Services                       | 160        | -                         | -                          |
| Culture and Recreation                           | 150,321    | -                         | -                          |
| Community and Economic Development               | 16,340     | -                         | 81,376                     |
| General Government                               | 77,582     | -                         | -                          |
| Capital Projects                                 | 26,000     | -                         | -                          |
| Debt Service:                                    |            |                           |                            |
| Principal Retirement                             | -          | -                         | -                          |
| Interest and Fees                                | -          | -                         | -                          |
| Total Disbursements                              | 573,210    | -                         | 81,376                     |
| Excess (Deficiency) of Receipts to Disbursements | (39,437)   | 149,965                   | 326,036                    |
| Other financing sources (uses):                  |            |                           |                            |
| Sale of Assets                                   | -          | -                         | -                          |
| Transfers In                                     | 159,724    | -                         | -                          |
| Transfers Out                                    | (77,352)   | (131,900)                 | (151,283)                  |
| Total other financing sources (uses)             | 82,372     | (131,900)                 | (151,283)                  |
| Change in Cash Balances                          | 42,935     | 18,065                    | 174,753                    |
| Cash Balances Beginning of Year                  | 164,533    | 101,556                   | 85,703                     |
| Cash Balances End of Year                        | \$ 207,468 | \$ 119,621                | \$ 260,456                 |
| Cash Basis Fund Balances                         |            |                           |                            |
| Restricted for:                                  |            |                           |                            |
| Debt service                                     | \$ -       | \$ -                      | \$ -                       |
| Economic Development                             | 43,135     | -                         | 260,456                    |
| Streets  | -          | -                         | -                          |
| Employee Benefits                                | -          | -                         | -                          |
| Other Purposes                                   | -          | 119,621                   | -                          |
| Assigned to:                                     |            |                           |                            |
| Capital Equipment                                | -          | -                         | -                          |
| Capital Improvements                             | -          | -                         | -                          |
| Library  | 42,020     | -                         | -                          |
| Fire Department                                  | 45,749     | -                         | -                          |
| Recreation Board                                 | 10,250     | -                         | -                          |
| Historical Board                                 | 6,222      | -                         | -                          |
| Unassigned                                       | 60,092     | -                         | -                          |
| Total Cash Basis Fund Balances                   | \$ 207,468 | \$ 119,621                | \$ 260,456                 |

See Accompanying Notes to Financial Statements

| Capital Project      |                    | Debt<br>Service | Other Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|----------------------|--------------------|-----------------|---|--------------------------------|
| Capital<br>Equipment | Capital<br>Streets |                 |   |                                |
| \$ -                 | \$ -               | \$ 217,615      | \$ 26,682                               | \$ 537,757                     |
| -                    | -                  | -               | 116,535                                 | 483,778                        |
| -                    | -                  | -               | -                                       | 22,589                         |
| -                    | -                  | 9,468           | 150,851                                 | 400,348                        |
| -                    | -                  | -               | -                                       | 108,023                        |
| -                    | -                  | -               | -                                       | 1,809                          |
| -                    | -                  | 6,734           | -                                       | 6,734                          |
| -                    | -                  | -               | 1,200                                   | 11,841                         |
| 445                  | -                  | 621             | 348                                     | 4,994                          |
| 300                  | 617                | -               | 37,629                                  | 82,322                         |
| 745                  | 617                | 234,438         | 333,245                                 | 1,660,195                      |
| -                    | -                  | -               | -                                       | 201,332                        |
| -                    | -                  | -               | 135,971                                 | 237,446                        |
| -                    | -                  | -               | -                                       | 160                            |
| -                    | -                  | -               | 14,093                                  | 164,414                        |
| -                    | -                  | -               | 27,835                                  | 125,551                        |
| -                    | -                  | -               | 13,403                                  | 90,985                         |
| 213,639              | 351,537            | -               | 106,925                                 | 698,101                        |
| -                    | -                  | 290,000         | -                                       | 290,000                        |
| -                    | -                  | 51,389          | -                                       | 51,389                         |
| 213,639              | 351,537            | 341,389         | 298,227                                 | 1,859,378                      |
| (212,894)            | (350,920)          | (106,951)       | 35,018                                  | (199,183)                      |
| 6,175                | -                  | -               | 12,823                                  | 18,798                         |
| 270,543              | -                  | 110,250         | 142,995                                 | 683,512                        |
| (36,000)             | (28,500)           | -               | (113,528)                               | (538,563)                      |
| 240,718              | (28,500)           | 110,250         | 42,090                                  | 163,747                        |
| 27,824               | (379,420)          | 3,299           | 77,108                                  | (35,436)                       |
| 53,303               | 389,849            | 55,779          | 287,968                                 | 1,138,691                      |
| \$ 81,127            | \$ 10,429          | \$ 59,078       | \$ 365,076                              | \$ 1,103,255                   |
| \$ -                 | \$ -               | \$ 59,078       | \$ -                                    | \$ 59,078                      |
| -                    | -                  | -               | 57,969                                  | 361,560                        |
| -                    | -                  | -               | 77,188                                  | 77,188                         |
| -                    | -                  | -               | 76,432                                  | 76,432                         |
| -                    | -                  | -               | -                                       | 119,621                        |
| 81,127               | -                  | -               | -                                       | 81,127                         |
| -                    | 10,429             | -               | 153,487                                 | 163,916                        |
| -                    | -                  | -               | -                                       | 42,020                         |
| -                    | -                  | -               | -                                       | 45,749                         |
| -                    | -                  | -               | -                                       | 10,250                         |
| -                    | -                  | -               | -                                       | 6,222                          |
| -                    | -                  | -               | -                                       | 60,092                         |
| \$ 81,127            | \$ 10,429          | \$ 59,078       | \$ 365,076                              | \$ 1,103,255                   |

See Accompanying Notes to Financial Statements

**CITY OF ALTON, IOWA**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,**  
**AND CHANGES IN CASH BALANCES**  
**Proprietary Funds**  
**As of and For the Year Ended June 30, 2016**

|  | Enterprise Funds    |                   |
|--|---------------------|-------------------|
|  | Electric<br>Utility | Water<br>Utility  |
| Operating Receipts:                                |                     |                   |
| Charges for Services                               | \$ 951,463          | \$ 246,010        |
| Total Operating Receipts                           | <u>951,463</u>      | <u>246,010</u>    |
| Operating Disbursements:                           |                     |                   |
| Operating Disbursements                            | 901,070             | 196,235           |
| Capital Outlay                                     | 70,492              | 108,962           |
| Total Operating Disbursements                      | <u>971,562</u>      | <u>305,197</u>    |
| Excess/(Deficiency) of Receipts Over Disbursements | <u>(20,099)</u>     | <u>(59,187)</u>   |
| Non-Operating Receipts (Disbursements):            |                     |                   |
| Interest Income                                    | 4,231               | 1,384             |
| Refunds & Rebates                                  | 294,451             | -                 |
| Interest Expense                                   | -                   | (1,033)           |
| Principal Payments                                 | -                   | (7,000)           |
| Total Non-Operating Receipts (Disbursements)       | <u>298,682</u>      | <u>(6,649)</u>    |
| Excess/(Deficiency) of Receipts Over Disbursements | <u>278,583</u>      | <u>(65,836)</u>   |
| Transfers In                                       | 138,152             | 8,546             |
| Transfers Out                                      | <u>(265,542)</u>    | <u>(12,250)</u>   |
| Change in Cash Balances                            | 151,193             | (69,540)          |
| Cash Balances Beginning of Year                    | <u>897,843</u>      | <u>372,253</u>    |
| Cash Balances End of Year                          | <u>\$ 1,049,036</u> | <u>\$ 302,713</u> |
| Cash Basis Fund Balances                           |                     |                   |
| Restricted for Debt Service                        | \$ -                | \$ -              |
| Unrestricted                                       | 1,049,036           | 302,713           |
| Total Cash Basis Fund Balances                     | <u>\$ 1,049,036</u> | <u>\$ 302,713</u> |

See Accompanying Notes to Financial Statements



| Enterprise Funds |                |              |
|------------------|----------------|--------------|
| Sewer<br>Utility | Gas<br>Utility | Total        |
| \$ 173,237       | \$ 435,027     | \$ 1,805,737 |
| 173,237          | 435,027        | 1,805,737    |
| 156,274          | 378,443        | 1,632,022    |
| 63,160           | 42,351         | 284,965      |
| 219,434          | 420,794        | 1,916,987    |
| (46,197)         | 14,233         | (111,250)    |
| 735              | 1,060          | 7,410        |
| -                | -              | 294,451      |
| -                | (25,639)       | (26,672)     |
| -                | (38,000)       | (45,000)     |
| 735              | (62,579)       | 230,189      |
| (45,462)         | (48,346)       | 118,939      |
| 1,894            | -              | 148,592      |
| -                | (15,749)       | (293,541)    |
| (43,568)         | (64,095)       | (26,010)     |
| 196,970          | 288,485        | 1,755,551    |
| \$ 153,402       | \$ 224,390     | \$ 1,729,541 |
| \$ -             | \$ 77,574      | \$ 77,574    |
| 153,402          | 146,816        | 1,651,967    |
| \$ 153,402       | \$ 224,390     | \$ 1,729,541 |

See Accompanying Notes to Financial Statements

**CITY OF ALTON, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Alton is a political subdivision of the State of Iowa located in Sioux County. It was first incorporated in 1883 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, health and social services, community and economic development and general government services. The City also provides water, sewer, electrical, and natural gas utilities for its citizens.

**A. Reporting Entity**

For Financial reporting purposes, the City of Alton has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Alton has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: County Emergency Management Commission, Northwest Iowa Solid Waste, Northwest Iowa Economic Development Coalition, and Northwest Iowa Regional Housing Authority.

**B. Basis of Presentation**

Government-wide Financial Statements – The Cash Basis Statement of Activities and Net Position reports information on all of the non-fiduciary activities of the City. The effect of interfund activity has been removed from these statements. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's non-fiduciary net position. Net position is reported in two categories:

*Restricted net position* results when constraints placed on net position use is either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position that does not meet the definition of the preceding category. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

**CITY OF ALTON, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

Local Option Sales Tax Fund is used to account for local option sales tax collections to be used for specific purposes within the City.

Tax Increment Financing Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

Capital Project:

Capital Streets Fund is used to accumulate resources for repair and maintenance of the City's streets.

Capital Equipment Fund is used to accumulate resources for the purchase of major equipment.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Electric Fund accounts for the operation and maintenance of the City's electric system.

**CITY OF ALTON, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Gas Fund accounts for the operation and maintenance of the City's gas system.

**C. Measurement Focus and Basis of Accounting**

The City of Alton maintains its financial records on the basis of cash receipts and disbursements which is an other comprehensive basis of accounting and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and other accrued items as well as fixed assets. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. This, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Governmental Cash Basis Fund Balances**

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2016, disbursements exceeded the amount budgeted in the Public Safety and Debt Service functions.

**CITY OF ALTON, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**Note 2 – CASH AND POOLED INVESTMENTS**

The City's deposits at June 30, 2016 were entirely covered by Federal depository insurance, or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2016, the City had the following investments:

|                         | <u><b>Maturities</b></u> |                       |
|-------------------------|--------------------------|-----------------------|
| Certificates of Deposit | 06/10/17– 12/02/17       | <u><b>\$3,144</b></u> |

Interest Rate Risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

**NOTE 3 – BONDS AND NOTES PAYABLE**

The following is a summary of bond transactions of the City for the year ended June 30, 2016:

|                                       | <u><b>Governmental<br/>Activities</b></u>                   | <u><b>Business-Type<br/>Activities</b></u>              |
|---------------------------------------|---|---|
|                                       | <b>Bonds and Notes<br/>Payable by Debt<br/>Service Fund</b> | <b>Bonds and Notes<br/>Paid by Enterprise<br/>Funds</b> |
| <b>Primary Government</b>             |   |   |
| Bonds and notes payable July 1, 2015  | \$ 1,575,000  | \$ 632,000  |
| Less: payments                        | (290,000)   | (45,000)  |
| Bonds and notes payable June 30, 2016 | <u>1,285,000</u>  | <u>587,000</u>  |
| Due within one year                   | <u>\$ 285,000</u>   | <u>\$ 45,000</u>  |

**CITY OF ALTON, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 3 – BONDS AND NOTES PAYABLE (CONTINUED)**

The City of Alton had the following outstanding bonds as of June 30, 2016:

| <b>Bond/Note</b>                | <b>Date of Issue</b> | <b>Interest Rate</b> | <b>Final Due Date</b> | <b>Annual Payments</b> | <b>Amount Originally Issued</b> | <b>Outstanding June 30, 2016</b> | <b>Due Within One Year</b> |
|---------------------------------|----------------------|----------------------|-----------------------|------------------------|---------------------------------|----------------------------------|----------------------------|
| General Obligation-Series 2009A | 09/23/09             | 3.00-4.05%           | 2020                  | \$55,000 - \$85,000    | \$ 725,000                      | \$ 330,000                       | \$ 80,000                  |
| General Obligation-Series 2010  | 06/01/10             | 1.5-3.05%            | 2017                  | \$70,000 - \$150,000   | 680,000                         | 70,000                           | 70,000                     |
| General Obligation-Series 2013A | 06/27/13             | 2.0-2.5%             | 2025                  | \$15,000 - \$85,000    | 475,000                         | 205,000                          | 85,000                     |
| General Obligation-Hospital     | 06/27/13             | 2.0-2.5%             | 2025                  | \$30,000 - \$35,000    | 395,000                         | 295,000                          | 35,000                     |
| General Obligation-Series 2015  | 6/23/15              | 3.25%                | 2035                  | \$15,000 - \$27,000    | 400,000                         | 385,000                          | 15,000                     |
| Water Revenue Bond              | 10/15/03             | 3.00%                | 2023                  | \$5,000 - \$8,000      | 125,000                         | 52,000                           | 7,000                      |
| Gas Revenue Bond                | 09/03/12             | 4.55%                | 2027                  | \$16,000 - \$41,000    | 680,000                         | 535,000                          | 38,000                     |
| <b>Total Bonds Due</b>          |                      |                      |                       |                        | <b>\$ 3,480,000</b>             | <b>\$ 1,872,000</b>              | <b>\$ 330,000</b>          |

Annual debt service requirements to maturity of General Obligation Bonds and Notes, revolving loan fund loans, special assessment notes and Revenue Capital Loan Notes are as follows:

| <b>Year Ending June 30</b> | <b>Series 2009A<br/>10<sup>th</sup> Street Bond</b> |                 | <b>Series 2010<br/>GO Bond</b> |                 | <b>Series 2013A<br/>Industrial Park<br/>Paving Bond</b> |                 | <b>Refunding<br/>Series 2013B<br/>Hospital Project</b> |                 |
|----------------------------|---|-----------------|--------------------------------|-----------------|---|-----------------|--|-----------------|
|                            | <b>Principal</b>                                    | <b>Interest</b> | <b>Principal</b>               | <b>Interest</b> | <b>Principal</b>  | <b>Interest</b> | <b>Principal</b>                                       | <b>Interest</b> |
| 2017                       | \$ 80,000   | \$12,643        | \$ 70,000                      | \$ 2,136        | \$ 85,000   | \$ 3,850        | \$ 35,000  | \$ 6,438        |
| 2018                       | 80,000  | 9,843           | -                              | -               | 15,000  | 3,000           | 35,000   | 5,825           |
| 2019                       | 85,000  | 6,842           | -                              | -               | 15,000  | 2,625           | 35,000   | 5,213           |
| 2020                       | 85,000  | 3,442           | -                              | -               | 15,000  | 2,250           | 30,000   | 4,513           |
| 2021                       | -   | -               | -                              | -               | 15,000  | 1,875           | 30,000   | 3,838           |
| 2022-2026                  | -   | -               | -                              | -               | 60,000  | 3,750           | 130,000  | 7,788           |
| 2027-2031                  | -   | -               | -                              | -               | -   | -               | -  | -               |
| 2032-2036                  | -   | -               | -                              | -               | -   | -               | -  | -               |
| <b>Total</b>               | <b>\$330,000</b>                                    | <b>\$32,770</b> | <b>\$70,000</b>                | <b>\$ 2,136</b> | <b>\$205,000</b>  | <b>\$17,350</b> | <b>\$295,000</b>                                       | <b>\$33,615</b> |

| <b>Year Ending June 30</b> | <b>Series 2015<br/>GO Bond</b> |                  | <b>Total Governmental</b> |                   |
|----------------------------|--------------------------------|------------------|---------------------------|-------------------|
|                            | <b>Principal</b>               | <b>Interest</b>  | <b>Principal</b>          | <b>Interest</b>   |
| 2017                       | \$ 15,000                      | \$ 12,513        | \$ 285,000                | \$ 37,580         |
| 2018                       | 15,000                         | 12,025           | 145,000                   | 30,693            |
| 2019                       | 16,000                         | 11,538           | 151,000                   | 26,218            |
| 2020                       | 16,000                         | 11,018           | 146,000                   | 21,223            |
| 2021                       | 17,000                         | 10,498           | 62,000                    | 16,211            |
| 2022-2026                  | 94,000                         | 43,778           | 284,000                   | 55,316            |
| 2027-2031                  | 110,000                        | 27,495           | 110,000                   | 27,495            |
| 2032-2036                  | 102,000                        | 8,450            | 102,000                   | 8,450             |
| <b>Total</b>               | <b>\$385,000</b>               | <b>\$137,315</b> | <b>\$1,285,000</b>        | <b>\$ 223,186</b> |

**CITY OF ALTON, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 3 – BONDS AND NOTES PAYABLE (CONTINUED)**

| Year Ending<br>June 30 | Gas Utility<br>Revenue Note |            | Water Revenue<br>Bond |          | Total Business<br>Type Funds |            |
|------------------------|-----------------------------|------------|-----------------------|----------|------------------------------|------------|
|                        | Principal                   | Interest   | Principal             | Interest | Principal                    | Interest   |
| 2017                   | \$38,000                    | \$ 23,910  | \$ 7,000              | \$ 1,560 | \$ 45,000                    | \$ 25,470  |
| 2018                   | 38,000                      | 22,181     | 7,000                 | 1,350    | 45,000                       | 23,531     |
| 2019                   | 43,000                      | 20,384     | 7,000                 | 1,140    | 50,000                       | 21,524     |
| 2020                   | 43,000                      | 18,428     | 7,000                 | 930      | 50,000                       | 19,358     |
| 2021                   | 43,000                      | 16,471     | 8,000                 | 720      | 51,000                       | 17,191     |
| 2022–2026              | 258,000                     | 49,732     | 16,000                | 720      | 274,000                      | 50,452     |
| 2027–2031              | 72,000                      | 2,434      | -                     | -        | 72,000                       | 2,434      |
| Total                  | \$ 535,000                  | \$ 153,540 | \$ 52,000             | \$ 6,420 | \$ 587,000                   | \$ 159,960 |

The City has pledged future water utility receipts, net of specified operating disbursements, to repay \$125,000 of water revenue bonds issued in October 2003. Proceeds from the bonds provided financing for the construction of water main extensions. The bonds are payable solely from water customer net receipts and are payable through 2023. The total principal and interest remaining to be paid on the bond is \$58,420. For the current year, principal and interest paid and total customer net receipts were \$8,033 and \$(59,187), respectively.

The City has pledged future gas utility receipts, net of specified operating disbursements, to repay gas revenue bonds. These bonds were originally issued at \$680,000 in March 2009 and were refinanced in June 2013, adding an additional \$20,000 to the bond. The bond carries an interest rate of 4.55% and matures in 2027. Proceeds from the bonds provided financing for acquisition of the City's gas infrastructure. The bonds are payable solely from gas customer net receipts and are payable through 2027. The total principal and interest remaining to be paid on the bond is \$688,540. For the current year, principal and interest paid and total customer net receipts were \$63,639 and \$14,233, respectively.

The resolution providing for the issuance of the gas revenue bond includes the following provisions:

- (a) The bond will only be redeemed from future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to the gas bond sinking accounts within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) The Reserve Fund shall be used to maintain the Reserve Fund Requirement per the resolution. In each month there shall be deposited in the Reserve Fund an amount equal to 25% of the amount required by this Resolution to be deposited in such month in the Sinking Fund.
- (d) Additional monthly transfers of \$500 to a Gas Improvement Fund within the Enterprise Funds shall be made until specific minimum balances have been accumulated. Money in this account shall be used solely for the purpose of paying the cost of capital maintenance expenses or repairs to the System, including metering and billing systems, if necessary. Whenever it shall become necessary to so use the money in the Improvement Fund, the payments required above shall be continued or resumed until it shall have been restored to the required minimum amount.

The City complied with these provisions.

**CITY OF ALTON, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE 4 – PENSION PLAN**

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions



**CITY OF ALTON, IOWA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

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**NOTE 4 – PENSION PLAN (CONTINUED)**

and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

The City's contribution to IPERS for the year ended June 30, 2016 were \$35,262.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City reported a liability of \$276,749 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's proportion was 0.0056017 percent, which was an increase of 0.000123 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$25,362, \$62,923 and \$64,440 respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                                     |  |
|-------------------------------------|--|
| Rate of inflation                   |  |
| (effective June 30, 2014)           | 3.00% per annum.                             |
| Rates of salary increase            | 4.00 to 17.00% average, including inflation. |
| (effective June 30, 2010)           | Rates vary by membership group.              |
| Long-term investment rate of return | 7.50% compounded annually, net of investment |
| (effective June 30, 1996)           | expense, including inflation.                |
| Wage growth                         | 4.00% per annum, based on 3.00% inflation    |
| (effective June 30, 1990)           | and 1.00% real wage inflation.               |

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above. Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**CITY OF ALTON, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 4 – PENSION PLAN**

| Asset Class            | Asset Allocation | Long-Term Expected Real Rate of Return |
|------------------------|------------------|--|
| Core plus fixed income | 28%              | 2.04%                                  |
| Domestic equity        | 24               | 6.29                                   |
| International equity   | 16               | 6.75                                   |
| Private equity/debt    | 11               | 11.32                                  |
| Real estate            | 8                | 3.48                                   |
| Credit opportunities   | 5                | 3.63                                   |
| U.S. TIPS              | 5                | 1.91                                   |
| Other real assets      | 2                | 6.24                                   |
| Cash                   | 1                | (0.71)                                 |
| Total                  | 100%             |  |

Discount Rate - The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate.

|  | 1%<br>Decrease<br>(6.5%) | Discount<br>Rate<br>(7.5%) | 1%<br>Increase<br>(8.5%) |
|--|--------------------------|----------------------------|--------------------------|
| City's proportionate share of<br>the net pension liability | \$484,537                | \$276,749                  | \$ 101,360               |

IPERS' Fiduciary Net Position - Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**NOTE 5 – RISK MANAGEMENT**

The City of Alton is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City of Alton assumes liability for any deductibles and claims in excess of coverage limitations. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**CITY OF ALTON, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 6 – INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2016, is as follows:

| Transfers In          | Transfers Out |                           |            |                      |                 |                          |            |           |           |            |
|-----------------------|---------------|---------------------------|------------|----------------------|-----------------|--------------------------|------------|-----------|-----------|------------|
|                       | General       | Local Option<br>Sales Tax | TIF        | Capital<br>Equipment | Capital Streets | Nonmajor<br>Governmental | Electric   | Water     | Gas       | Total      |
| General               | \$ -          | \$ 131,900                | \$ -       | \$ 12,000            | \$ -            | \$ 3,824                 | \$ 9,000   | \$ 3,000  | \$ -      | \$ 159,724 |
| Debt Service          | -             | -                         | 81,750     | -                    | 28,500          | -                        | -          | -         | -         | 110,250    |
| Capital Equipment     | 50,500        | -                         | -          | -                    | -               | 12,000                   | 187,042    | 8,000     | 13,000    | 270,542    |
| Nonmajor Governmental | 26,852        | -                         | -          | -                    | -               | 42,644                   | 69,500     | 1,250     | 2,749     | 142,995    |
| Electric              | -             | -                         | 69,533     | 24,000               | -               | 44,620                   | -          | -         | -         | 138,153    |
| Water                 | -             | -                         | -          | -                    | -               | 8,546                    | -          | -         | -         | 8,546      |
| Sewer                 | -             | -                         | -          | -                    | -               | 1,894                    | -          | -         | -         | 1,894      |
| Total                 | \$ 77,352     | \$ 131,900                | \$ 151,283 | \$ 36,000            | \$ 28,500       | \$ 113,528               | \$ 265,542 | \$ 12,250 | \$ 15,749 | \$ 832,104 |

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. Move revenues restricted to debt service from the fund collecting the revenues to the debt service fund as debt service payments become due.
3. TIF transfers are used to repay debt obligations from enterprise funds.

**NOTE 6 – TIF DISTRICT**

In May of 2016, Sioux County informed the City of Alton that the County Auditor's Office did not receive an extension from the City to extend the Tax Increment Financing in the Fair View Meadows 1 addition. The County incorrectly set up the district for a twenty year division of revenue pursuant to Chapter 403.17 of the Code of Iowa as opposed to a ten year division of revenue with the possibility of a five-year extension pursuant to Chapter 403.22 of the Code of Iowa. Consequently, the City of Alton will be required to return to the County the tax increment receipts collected by the district in fiscal years 2014, 2015, and 2016. The County will then reapportion these funds at which time the City will receive the proper portion of the tax collected. The City estimates that the repayment to the County will be \$264,088 with \$180,250 being returned to the City. This payment and receipt of tax dollars is scheduled to occur in July 2017.

**NOTE 7 – GOLF COURSE**

In February of 2016, the City purchased for one dollar the nine-hole golf course, including related buildings, located within the incorporated area of the City. Subsequently, the City signed an agreement to lease the property back to the former owners for one dollar a year. This agreement passively renews every five years and it is the intention of the parties for the lease to last ninety-nine years. The City Council has final approval over the budget, financial statements, and capital purchases of the facility. In the event that the lessee is unable to generate sufficient revenue to cover operating and capital expenditures, the City will provide annual funding not to exceed \$30,000 per year for the next five years to cover the shortfall. After five years, the annual funding amount will be reviewed by the City council.

**CITY OF ALTON, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE 8 – SUBSEQUENT EVENTS**

In August 2016, the City issued \$1,100,000 of general obligation capital notes. Repayment of this note will be facilitated by a tax levy. Also in August 2016, the City amended its code of ordinances and established a storm water utility.

**NOTE 9 – NEW ACCOUNTING PRONOUNCEMENT**

The City of Alton adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

## OTHER INFORMATION

CITY OF ALTON, IOWA  
OTHER INFORMATION  
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,  
DISBURSEMENTS AND CHANGES IN BALANCES BUDGET AND ACTUAL  
(CASH BASIS)- ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
For the Year Ended June 30, 2016

|   | Governmental<br>Funds<br>Actual | Proprietary<br>Funds<br>Actual | Total<br>Actual | Budgeted Amounts |              | Final to<br>Total<br>Variance |
|---|---------------------------------|--------------------------------|-----------------|------------------|--------------|-------------------------------|
|   |                                 |                                |                 | Original         | Final        |                               |
| Receipts:   |                                 |                                |                 |                  |              |                               |
| Property Taxes  | \$ 537,757                      | \$ -                           | \$ 537,757      | \$ 531,466       | \$ 540,041   | \$ (2,284)                    |
| TIF Revenue   | 483,778                         | -                              | 483,778         | 488,232          | 488,232      | (4,454)                       |
| Licenses and Permits  | 22,589                          | -                              | 22,589          | 17,105           | 17,105       | 5,484                         |
| Intergovernmental   | 400,348                         | -                              | 400,348         | 325,268          | 376,126      | 24,222                        |
| Charges for Services  | 108,023                         | 1,805,737                      | 1,913,760       | 1,958,551        | 1,958,551    | (44,791)                      |
| Special Assessments   | 6,734                           | -                              | 6,734           | 5,000            | 5,000        | 1,734                         |
| Use of Money and Property   | 16,835                          | 7,410                          | 24,245          | 29,025           | 29,025       | (4,780)                       |
| Miscellaneous   | 84,131                          | 294,451                        | 378,582         | 49,410           | 366,350      | 12,232                        |
| Total Receipts  | 1,660,195                       | 2,107,598                      | 3,767,793       | 3,404,057        | 3,780,430    | (12,637)                      |
| Disbursements   |                                 |                                |                 |                  |              |                               |
| Public Safety   | 201,332                         | -                              | 201,332         | 194,060          | 195,965      | (5,367)                       |
| Public Works  | 237,446                         | -                              | 237,446         | 235,664          | 263,420      | 25,974                        |
| Health and Social Services  | 160                             | -                              | 160             | 1,500            | 1,500        | 1,340                         |
| Culture and Recreation  | 164,414                         | -                              | 164,414         | 181,601          | 195,481      | 31,067                        |
| Community and Economic Development  | 125,551                         | -                              | 125,551         | 126,826          | 127,351      | 1,800                         |
| General Government  | 90,985                          | -                              | 90,985          | 96,811           | 101,431      | 10,446                        |
| Capital Projects  | 698,101                         | -                              | 698,101         | 1,003,737        | 1,003,737    | 305,636                       |
| Debt Service  | 341,389                         | -                              | 341,389         | 308,200          | 315,137      | (26,252)                      |
| Business Type / Enterprises   | -                               | 1,988,659                      | 1,988,659       | 2,176,957        | 2,176,957    | 188,298                       |
| Total Disbursements   | 1,859,378                       | 1,988,659                      | 3,848,037       | 4,325,346        | 4,380,979    | 532,942                       |
| Excess (Deficiency) of receipts over disbursements  | (199,183)                       | 118,939                        | (80,244)        | (921,289)        | (600,549)    | 520,305                       |
| Other financing sources (uses):   |                                 |                                |                 |                  |              |                               |
| Proceeds from Debt Financing  | -                               | -                              | -               | 410,000          | 624,518      | (624,518)                     |
| Sale of Assets  | 18,798                          | -                              | 18,798          | -                | -            | 18,798                        |
| Transfers In  | 683,512                         | 148,592                        | 832,104         | 1,264,750        | 1,276,750    | (444,646)                     |
| Transfers (Out)   | (538,563)                       | (293,541)                      | (832,104)       | (1,264,750)      | (1,276,750)  | 444,646                       |
| Total other financing sources (uses)  | 163,747                         | (144,949)                      | 18,798          | 410,000          | 624,518      | (605,720)                     |
| Excess of receipts and other financing sources<br>over disbursements and other financing uses | (35,436)                        | (26,010)                       | (61,446)        | (511,289)        | 23,969       | (85,415)                      |
| Balances Beginning of Year  | 1,138,691                       | 1,755,551                      | 2,894,242       | 2,894,242        | 2,894,242    | -                             |
| Balances End of Year  | \$ 1,103,255                    | \$ 1,729,541                   | \$ 2,832,796    | \$ 2,382,953     | \$ 2,918,211 | \$ (85,415)                   |

**CITY OF ALTON, IOWA  
NOTES TO OTHER INFORMATION –  
BUDGETARY REPORTING  
JUNE 30, 2016**

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The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Proprietary Funds. Although the adopted budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budget disbursements by \$55,633. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the Public Safety and Debt Service functions

CITY OF ALTON  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
FOR THE LAST TWO YEARS\*  
OTHER INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016

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|   | 2016       | 2015       |
|---|------------|------------|
| City's proportion of the net pension liability  | 0.0056017% | 0.0054782% |
| City's proportionate share of the net pension liability   | \$ 276,749 | \$ 217,259 |
| City's covered-employee payroll   | \$ 383,764 | \$ 358,468 |
| City's proportionate share of the net pension liability as a percentage of its covered employee payroll | 72.11%     | 60.60%     |
| Plan fiduciary net pension as a percentage of the total pension liability                               | 85.19%     | 87.61%     |

\* The amounts presented for each fiscal year were determined as of June 30.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.



**CITY OF ALTON  
SCHEDULE OF THE CITY CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN YEARS  
OTHER INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016**

|   | 2016       | 2015       | 2014       | 2013       | 2012       |
|---|------------|------------|------------|------------|------------|
| Statutorily required contribution                                     | \$ 35,262  | \$ 34,270  | \$ 32,011  | \$ 28,699  | \$ 27,269  |
| Contributions in relation to the<br>statutorily required contribution | (35,262)   | (34,270)   | (32,011)   | (28,699)   | (27,269)   |
| Contribution deficiency (excess)                                      | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       |
| City's covered employee payroll                                       | \$ 394,871 | \$ 383,764 | \$ 358,468 | \$ 331,009 | \$ 337,907 |
| Contributions as a percentage of<br>covered-employee payroll          | 8.93%      | 8.93%      | 8.93%      | 8.67%      | 8.07%      |

  

|   | 2011       | 2010       | 2009       | 2008       | 2007       |
|---|------------|------------|------------|------------|------------|
| Statutorily required contribution                                     | \$ 21,327  | \$ 19,679  | \$ 18,322  | \$ 16,070  | \$ 14,262  |
| Contributions in relation to the<br>statutorily required contribution | (21,327)   | (19,679)   | (18,322)   | (16,070)   | (14,262)   |
| Contribution deficiency (excess)                                      | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       |
| City's covered employee payroll                                       | \$ 306,863 | \$ 295,924 | \$ 288,539 | \$ 265,613 | \$ 248,029 |
| Contributions as a percentage of<br>covered-employee payroll          | 6.95%      | 6.65%      | 6.35%      | 6.05%      | 5.75%      |

See accompanying Independent Auditor's Report

**CITY OF ALTON  
NOTES TO OTHER INFORMATION –  
PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2016**

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**Changes of Benefit Terms:**

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

**Changes of Assumptions**

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

## **SUPPLEMENTARY INFORMATION**

CITY OF ALTON, IOWA  
COMBINING SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS AND CHANGES IN CASH BALANCES  
Governmental Nonmajor Funds  
As of and For the Year Ended June 30, 2016

|  | Special Revenue Funds |                      |                |
|--|-----------------------|----------------------|----------------|
|  | Road Use<br>Tax       | Employee<br>Benefits | Housing<br>TIF |
| Receipts:  |                       |                      |                |
| Property Taxes                                     | \$ -                  | \$ 26,682            | \$ -           |
| Tax Increment Financing                            | -                     | -                    | 116,535        |
| Intergovernmental                                  | 150,272               | 579                  | -              |
| Rental of City Property                            | -                     | -                    | -              |
| Interest on Investments                            | -                     | -                    | -              |
| Miscellaneous                                      | -                     | -                    | -              |
| Total Receipts                                     | 150,272               | 27,261               | 116,535        |
| Disbursements:                                     |                       |                      |                |
| Public Works                                       | 107,980               | 27,991               | -              |
| Culture and Recreation                             | -                     | 9,804                | -              |
| Community and Economic Development                 | -                     | 5,322                | 15,565         |
| General Government                                 | -                     | 11,349               | -              |
| Capital Projects                                   | -                     | -                    | -              |
| Total Disbursements                                | 107,980               | 54,466               | 15,565         |
| Excess (Deficiency) of Receipts over Disbursements | 42,292                | (27,205)             | 100,970        |
| Other financing sources (uses):                    |                       |                      |                |
| Sale of Assets                                     | -                     | -                    | -              |
| Transfers In                                       | -                     | 36,858               | -              |
| Transfers Out                                      | (27,006)              | -                    | (53,065)       |
| Total other financing sources (uses)               | (27,006)              | 36,858               | (53,065)       |
| Change in Cash Balances                            | 15,286                | 9,653                | 47,905         |
| Cash Balances Beginning of Year                    | 61,902                | 66,779               | 10,064         |
| Cash Balances End of Year                          | \$ 77,188             | \$ 76,432            | \$ 57,969      |
| Cash Basis Fund Balances                           |                       |                      |                |
| Restricted for:                                    |                       |                      |                |
| Economic Development                               | \$ -                  | \$ -                 | \$ 57,969      |
| Streets  | 77,188                | -                    | -              |
| Employee Benefits                                  | -                     | 76,432               | -              |
| Assigned to:                                       |                       |                      |                |
| Capital Improvements                               | -                     | -                    | -              |
| Total Cash Basis Fund Balances                     | \$ 77,188             | \$ 76,432            | \$ 57,969      |

| Capital Project Funds |                            |                           |                    |                     | Total<br>Governmental<br>Nonmajor<br>Funds |
|-----------------------|----------------------------|---------------------------|--------------------|---------------------|--|
| Parks & Trails        | Residential<br>Development | Housing<br>Rehabilitation | Industrial<br>Park | Capital<br>Building |  |
| \$ -                  | \$ -                       | \$ -                      | -                  | \$ -                | \$ 26,882                                  |
| -                     | -                          | -                         | -                  | -                   | 116,535                                    |
| -                     | -                          | -                         | -                  | -                   | 150,851                                    |
| -                     | -                          | -                         | 1,200              | -                   | 1,200                                      |
| 64                    | -                          | 284                       | -                  | -                   | 348  |
| 34,817                | -                          | 458                       | 2,354              | -                   | 37,629                                     |
| 34,881                | -                          | 742                       | 3,554              | -                   | 333,245                                    |
| -                     | -                          | -                         | -                  | -                   | 135,971                                    |
| 3,039                 | -                          | -                         | -                  | 1,250               | 14,093                                     |
| -                     | 6,948                      | -                         | -                  | -                   | 27,835                                     |
| -                     | -                          | -                         | -                  | 2,054               | 13,403                                     |
| -                     | -                          | 62,062                    | 44,863             | -                   | 106,925                                    |
| 3,039                 | 6,948                      | 62,062                    | 44,863             | 3,304               | 298,227                                    |
| 31,842                | (6,948)                    | (61,320)                  | (41,309)           | (3,304)             | 35,018                                     |
| -                     | 12,623                     | -                         | -                  | -                   | 12,623                                     |
| -                     | 3,891                      | 23,746                    | 68,000             | 10,500              | 142,995                                    |
| -                     | -                          | -                         | (33,457)           | -                   | (113,528)                                  |
| -                     | 16,514                     | 23,746                    | 34,543             | 10,500              | 42,090                                     |
| 31,842                | 9,566                      | (37,574)                  | (6,766)            | 7,196               | 77,108                                     |
| 16,375                | 20,417                     | 88,292                    | 16,205             | 7,934               | 287,968                                    |
| \$ 48,217             | \$ 29,983                  | \$ 50,718                 | \$ 9,439           | \$ 15,130           | \$ 365,076                                 |
| \$ -                  | \$ -                       | \$ -                      | \$ -               | \$ -                | \$ 57,969                                  |
| -                     | -                          | -                         | -                  | -                   | 77,188                                     |
| -                     | -                          | -                         | -                  | -                   | 76,432                                     |
| 48,217                | 29,983                     | 50,718                    | 9,439              | 15,130              | 153,487                                    |
| \$ 48,217             | \$ 29,983                  | \$ 50,718                 | \$ 9,439           | \$ 15,130           | \$ 365,076                                 |



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS**

To the Honorable Mayor and  
Members of the City Council  
City of Alton  
Alton, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Alton, Iowa, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise City of Alton, Iowa's basic financial statements and have issued our report thereon dated January 5, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Alton's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Alton's internal control. According, we do not express an opinion on the effectiveness of the City of Alton's internal control.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses. We consider the deficiencies described in the accompanying Schedule of Findings as items 2016-001 and 2016-002 to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Alton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of

laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

**City of Alton, Iowa's Responses to Finding**

The City of Alton's responses to findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the City of Alton's responses and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of the City of Alton during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

*Williams + Company P.C.*  
Certified Public Accountants

Le Mars, Iowa  
January 5, 2017

**CITY OF ALTON, IOWA  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**Part I – Summary of the Independent Auditors' Results:**

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**Part II – Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

**No matters were reported.**

**MATERIAL WEAKNESSES:**

**2016-001 Financial Accounting – Segregation of Duties**

Condition and Criteria – The City accountant is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements. Internal controls should be in place to provide reasonable assurance that individuals' financial accounting duties are properly reviewed.

Effect – Because of insufficient review procedures, the financial accounting is susceptible to an increased risk of errors and omissions and risk of fraud and/or misappropriation of assets.

Cause – With a limited number of personnel and time-constraints, review of all financial accounting activities is not feasible.

Recommendation –The City should implement adequate review procedures where feasible and continued monitoring should be done where implementation is not feasible.

Views of Responsible Officials – The City feels that hiring additional personnel to implement further review procedures would not be cost effective. However, management has and will continue to monitor transactions on a regular basis.

**2016-002 Financial Reporting – Material Adjusting Journal Entries**

Condition and Criteria –The auditors were required to propose and have management post adjusting journal entries to the fund financial statements to conform with government accounting standards. Management is responsible for the presentation of financial statements in accordance with government accounting standards.

Effect – The financial statements provided by management are not presented entirely in accordance with government accounting standards.



**CITY OF ALTON, IOWA  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016**

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Cause – With a limited number of personnel and current staff workload, the time-constraints and staff expertise do not allow for all required year end adjusting journal entries to be posted.

Recommendation – We recommend that the City train additional business office staff on government accounting standards to help reduce the amount of adjusting journal entries and increase their knowledge of the required reporting standards.

Views of Responsible Officials – The City feels that hiring additional personnel to implement the additional adjusting journal entries would not be cost effective. However, management has and will continue to monitor this process on a regular basis.

**Part III – Other Findings Related to Statutory Reporting**

**2016-003 Certified Budget**

Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the Public Safety and Debt Service functions.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

**2016-004 Questionable Disbursement**

We noted no disbursements that did not meet the requirements of public purpose as defined in the Attorney General's Opinion dated April 25, 1979.

**2016-005 Travel Expense**

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**2016-006 Business Transactions**

There were no business transactions between the City and City officials or employees noted.

**2016-007 Bond Coverage**

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

**2016-008 Council Minutes**

No transactions were found that we believe should have been approved in the Council minutes but were not.

**2016-009 Revenue Notes**

The City was in compliance with the requirements of its revenue notes.

**CITY OF ALTON, IOWA  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**2016-010 Deposits and Investments**

No instances of noncompliance with deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policies were noted.

**2016-011 Urban Renewal Annual Report**

The urban renewal annual report was approved and certified to the Iowa Department of Management on or before December 1.

**2016-012 Public improvements related to housing and residential development**

Chapter 403.22 of the Code of Iowa provides that a municipality with a population under fifteen thousand may, with the approval of the governing bodies of all other affected taxing districts, extend the division of revenue under section 403.19 for up to five years to adequately fund public improvement projects related to housing and residential development. The prior city administration did not gain said approval of the governing bodies of all other affected taxing districts to properly extend the division of revenue for the Fair View Meadows 1 TIF district.

Recommendation – The city should comply with Chapter 403.22 of the Code of Iowa and gain necessary approval to extend the division of revenue for all public improvement projects related to housing and residential development.

Response – We will comply with the Code requirements to extend the division of revenue for public improvement projects related to housing and residential development.

Conclusion – Response accepted.